ASSOCIATION OF AMERICAN RAILROADS

THIRD QUARTER
R&E Series No. 727
(Includes Supplement Covering ICG Special Charge)

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	FOR THE THIRD QUARTER 1986	1985	PERCENT INCREASE 1986 OVER 1985	FOR THE NINE MONTHS ENDED SEPT. 30 1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE						
FREIGHT	$6,210,893	$6,554,772	D 5.2	$19,120,611	$20,226,295	D 5.5
PASSENGER	29,623	28,813	2.8	82,864	80,080	3.5
PASSENGER RELATED	48	109	D 56.0	141	199	D 29.1
ALL OTHER OPERATING REVENUE	185,084	193,053	D 4.1	569,964	605,418	D 5.9
JOINT FACILITY ACCOUNT	2,394	1,888	26.8	6,843	7,096	D 3.6
TOTAL OPERATING REVENUES	$6,428,042	$6,778,635	D 5.2	$19,780,423	$20,919,088	D 5.4
EXPENSES						
DEPRECIATION-ROAD	$227,623	$242,078	D 6.0	$1,076,916	$717,374	50.1
ALL OTHER WAY AND STRUCTURES	740,294	743,036	D .4	2,283,235	2,356,196	D 3.1
TOTAL WAY AND STRUCTURES	967,917	985,114	D 1.7	3,360,151	3,073,570	9.3
DEPRECIATION-EQUIPMENT	356,098	199,430	78.6	841,386	657,180	28.0
ALL OTHER EQUIPMENT	1,369,810	1,293,463	5.9	3,974,566	4,036,884	D 1.5
TOTAL EQUIPMENT EXPENSE	1,725,908	1,492,893	15.6	4,815,952	4,694,064	2.6
TRANSPORTATION-TRAIN & YARD	2,067,004	2,402,625	D 14.0	6,639,885	7,549,106	D 12.0
TRANSPORTATION-SPEC. SERV. & ADM.	349,150	341,810	2.1	1,056,098	1,062,339	D .6
GENERAL & ADMINISTRATIVE	876,073	675,628	29.7	2,239,331	2,029,955	10.3
TOTAL OPERATING EXPENSES	$5,986,052	$5,898,070	1.5	$18,111,415	$18,409,034	D 1.6
NET REVENUE FROM RAILWAY OPERATIONS	$441,990	$880,565	D 49.8	$1,669,008	$2,510,054	D 33.5
OTHER INCOME	$303,496	$335,514	D 9.5	$853,321	$938,507	D 9.1
DIVIDENDS FROM AFFILIATES	7,224	9,144	D 21.0	24,763	25,213	D 1.8
EQUITY IN UNDISTR.EARN. OF AFFIL.	18,737	11,913	57.3	62,039	30,476	103.6
TOTAL INC. FROM AFFILIATED COS.	25,961	21,057	23.3	86,802	55,689	55.9
MISCELLANEOUS DEDUCTIONS	85,341	52,546	62.4	241,643	201,629	19.8
INCOME AVAILABLE FOR FIXED CHARGES	686,106	1,184,590	D 42.1	2,367,488	3,302,621	D 28.3
FIXED CHARGES						
INTEREST ON FUNDED DEBT	206,962	226,473	D 8.6	644,806	670,109	D 3.8
INTEREST ON UNFUNDED DEBT	13,985	5,738	143.7	17,904	14,127	26.8
AMORT. OF DISCOUNT ON FUNDED DEBT	3,572	2,764	29.2	10,544	8,449	24.8
TOTAL FIXED CHARGES	224,519	234,975	D 4.4	673,254	692,681	D 2.8
INCOME AFTER FIXED CHARGES	461,587	949,615	D 51.4	1,694,234	2,609,940	D 35.1
OTHER DEDUCTIONS	2,880	2,905	D .9	8,720	8,779	D .7
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	0	.0	DR 659,734	0	D .0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	458,707	946,710	D 51.5	1,025,780	2,601,161	D 60.6
INCOME TAXES ON ORDINARY INCOME	139,226	100,394	38.7	343,653	292,994	17.3
PROVISION FOR DEFERRED INC. TAXES	CR 21,360	191,974	D 111.1	CR 122,245	571,599	D 121.4
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	340,841	654,342	D 47.9	804,372	1,736,568	D 53.7
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	.0	0	0	.0
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	.0	0	0	.0
ORDINARY INCOME	$340,841	$654,342	D 47.9	$804,372	$1,736,568	D 53.7
EXTRAORDINARY ITEMS (NET)	$43,142	$32,363	33.3	$98,091	$79,445	23.5
INCOME TAXES ON EXTRAORD. ITEMS	0	0	.0	0	0	.0
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	2,931	D 100.0	0	2,931	D 100.0
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	.0	335,841	0	.0
NET INCOME(AFTER EXTRAORD. ITEMS)	383,983	683,774	D 43.8	566,622	1,813,082	D 68.7
INCOME FROM LEASE OF ROAD & EQUIP	451	404	11.6	1,255	1,186	5.8
RENT FOR LEASED ROADS & EQUIPMENT	10,306	7,343	40.4	22,876	21,396	6.9
NET RAILWAY OPERATING INCOME	$333,979	$595,136	D 43.9	$1,469,221	$1,665,671	D 11.8
CASH FLOW	$884,465	$1,279,911	D 30.7	$2,538,390	$3,652,245	D 30.5
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	93.1	87.0		91.6	88.0	
OPERATING EXPENSES(INC.INC.TAXES)	95.0	91.3		92.7	92.1	
NET RAILWAY OPERATING INCOME	5.2	8.8		7.4	8.0	

RATE OF RETURN ON PROPERTY INVESTMENT[1]

12 MONTHS ENDED SEPTEMBER 30, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$22,193,510	$21,963,145	$ 503,629	$ 1,072,956	2.27%	4.89%
WESTERN DISTRICT	24,043,407	23,567,746	1,124,396	1,076,376	4.68	4.57
UNITED STATES	$46,236,917	$45,530,891	$ 1,628,025	$ 2,149,332	3.52%	4.72%

RAILROAD REVENUES, EXPENSES, AND INCOME
THIRD QUARTER 1986 AND 1985
Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$19,802	$27,403	$20,998	$28,638	$22,200	$28,698	$-1,002	$451	$-1,128	$14
CONRAIL	728,274	741,136	751,758	770,128	647,462	659,261	80,649	98,099	77,704	88,721
CSX TRANSPORTATION [2a]	1,039,066	1,130,850	1,076,226	1,164,253	968,422	996,646	68,529	93,943	88,712	118,178
DELAWARE & HUDSON	19,394	28,055	19,790	28,356	22,147	27,988	-3,241	-32	-2,344	371
ELGIN, JOLIET & EASTERN	10,312	14,525	12,671	20,769	16,513	20,189	-2,058	1,662	-2,472	-84
FLORIDA EAST COAST	26,727	26,318	27,393	26,823	21,615	22,664	4,061	4,400	1,628	820
GRAND TRUNK WESTERN	71,223	77,299	75,027	80,851	74,943	80,203	2,097	-751	1,373	866
ILLINOIS CENTRAL GULF	144,063	189,207	160,690	207,165	553,151	199,243	-231,118	1,049	-225,795	3,561
NORFOLK & WESTERN	367,760	391,863	382,172	408,324	322,257	334,560	65,316	78,721	24,351	22,733
SOUTHERN RAILWAY SYSTEM	393,485	407,264	403,393	416,420	312,937	329,702	55,607	57,116	62,073	60,964
*TOTAL EASTERN DISTRICT	$2,820,106	$3,033,920	$2,930,118	$3,151,727	$2,961,647	$2,699,154	$38,840	$334,658	$24,102	$296,144
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$474,273	$523,072	$484,580	$533,623	$440,728	$485,625	$28,886	$34,782	$34,113	$35,442
BURLINGTON NORTHERN	923,555	981,674	943,953	1,002,337	772,842	786,308	102,860	144,631	109,600	126,110
CHICAGO & NORTH WESTERN	185,504	180,758	211,488	205,285	206,189	192,743	13,145	2,108	4,295	12,394
DENVER & RIO GRANDE WESTERN	69,787	77,185	70,877	78,516	61,422	68,301	5,424	5,841	5,038	6,640
KANSAS CITY SOUTHERN	69,041	76,165	72,466	79,857	60,815	66,232	5,523	7,305	7,319	9,012
MISSOURI-KANSAS-TEXAS	54,095	65,488	56,794	68,350	56,184	64,778	-966	1,240	854	4,102
SOO LINE [2b]	144,633	152,672	150,985	158,266	155,640	158,815	-5,331	-3,687	-1,443	5,172
SOUTHERN PACIFIC CO.	457,575	497,350	475,684	512,672	469,875	508,096	45,694	50,360	22,097	11,855
ST. LOUIS SOUTHWESTERN	90,021	93,853	91,423	95,451	78,103	84,170	8,696	7,011	8,050	7,073
UNION PACIFIC [2c]	922,303	872,635	939,674	892,551	722,607	783,848	98,070	70,093	119,954	81,192
*TOTAL WESTERN DISTRICT	$3,390,787	$3,520,852	$3,497,924	$3,626,908	$3,024,405	$3,198,916	$302,001	$319,684	$309,877	$298,992
TOTAL UNITED STATES	$6,210,893	$6,554,772	$6,428,042	$6,778,635	$5,986,052	$5,898,070	$340,841	$654,342	$333,979	$595,136

RAILROAD REVENUES, EXPENSES, AND INCOME
NINE MONTHS SEPTEMBER 30, 1986 AND 1985
Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	$58,293	$83,868	$61,352	$87,671	$67,387	$86,423	$-1,381	$2,530	$-5,813	$1,470
CONRAIL [2a]	2,237,070	2,297,264	2,310,344	2,383,462	2,019,358	2,093,502	231,510	263,009	210,553	223,416
CSX TRANSPORTATION	3,289,879	3,488,631	3,393,780	3,604,014	2,962,213	3,155,865	250,479	283,762	301,701	311,726
DELAWARE & HUDSON	61,957	81,086	63,052	82,315	68,599	84,284	-8,042	-2,457	-5,508	-1,909
ELGIN, JOLIET & EASTERN	38,434	45,637	53,387	65,307	56,889	62,247	401	4,775	-3,381	56
FLORIDA EAST COAST	84,349	84,703	86,565	86,199	67,157	68,667	13,156	17,089	6,375	4,749
GRAND TRUNK WESTERN	232,852	245,265	244,096	255,382	251,243	252,317	6,152	560	-5,007	3,939
ILLINOIS CENTRAL GULF	479,025	617,052	533,308	672,440	892,296	640,015	-209,855	10,154	-194,076	26,377
NORFOLK & WESTERN	1,179,140	1,236,216	1,225,497	1,286,830	984,170	1,013,319	192,047	217,937	116,212	127,710
SOUTHERN RAILWAY SYSTEM	1,240,126	1,254,220	1,268,863	1,284,324	982,764	1,031,207	172,900	154,951	182,769	161,525
*TOTAL EASTERN DISTRICT	$8,901,125	$9,433,942	$9,240,244	$9,807,944	$8,352,076	$8,487,846	$647,367	$952,310	$603,825	$859,059
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	$1,433,594	$1,592,150	$1,465,269	$1,625,757	$1,353,599	$1,507,775	$69,381	$95,063	$87,549	$91,265
BURLINGTON NORTHERN	2,763,004	2,995,524	2,826,691	3,059,633	2,779,530	2,453,551	49,436	377,831	70,594	354,092
CHICAGO & NORTH WESTERN	553,474	542,608	629,742	618,399	602,165	598,291	21,544	-8,227	26,714	22,107
DENVER & RIO GRANDE WESTERN	221,129	244,169	224,540	247,972	195,735	219,442	16,497	17,122	16,002	18,442
KANSAS CITY SOUTHERN	213,682	230,372	224,255	241,164	187,709	205,562	19,146	18,258	24,187	24,112
MISSOURI-KANSAS-TEXAS	168,165	196,319	176,568	205,446	171,151	194,071	4,454	-1,746	6,181	6,656
SOO LINE [2b]	444,552	429,550	459,605	443,242	458,397	438,340	-10	-6,632	7,493	17,072
SOUTHERN PACIFIC CO.	1,389,582	1,523,196	1,443,820	1,570,635	1,482,608	1,577,884	43,432	55,174	-15,906	5,375
ST. LOUIS SOUTHWESTERN	263,666	290,009	267,604	294,752	243,016	276,485	17,452	13,531	15,095	10,513
UNION PACIFIC [2c]	2,768,636	2,748,456	2,822,085	2,804,144	2,285,429	2,449,787	-84,327	223,884	627,487	256,978
*TOTAL WESTERN DISTRICT	$10,219,486	$10,792,353	$10,540,179	$11,111,144	$9,759,339	$9,921,188	$157,005	$784,258	$865,396	$806,612
TOTAL UNITED STATES	$19,120,611	$20,226,295	$19,780,423	$20,919,088	$18,111,415	$18,409,034	$804,372	$1,736,568	$1,469,221	$1,665,671

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES
BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700	6 641	6 428		
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040	6 117	5 986		
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402	31	341		
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410	705	334		
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	875 976[p]
1986	219 636	221 527	218 331[p]		
CAPITAL EXPENDITURES					
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	668	1 100			

r - revised

FOOTNOTES

1. Rate of Return on Property Investment is calculated on a Depreciation Accounting basis. Net Investment for the year ending September 30, 1986 is estimated using end of year 1985 net investment. Net Investment for year ending September 30, 1985 is estimated using average 1985 net investment.

2. a) CSX Transportation includes what was formerly the Chesapeake & Ohio, the Baltimore & Ohio and the Seaboard System.

   b) The Soo Line includes the Chicago, Milwaukee, St. Paul & Pacific Railroad.

   c) The Union Pacific includes the Union Pacific Railroad, the Missouri Pacific Railroad, and the Western Pacific Railroad.

3. a) The comparability of quarterly trends data is affected by the change, effective first quarter 1984, from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA).

   b) Difference between the sum of quarters and "Total" are due to rounding and year end revisions.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
DECEMBER 12, 1986

R&E Series No.727

Analysis of

ICG SPECIAL CHARGE

For the third quarter 1986, the ICG railroad took a $412 million pretax special charge 1/ covering expenses related to the disposition or writedown of 171 excess locomotives, 13,700 freight cars, and the early retirement or laying off of 1,560 employees. The impact of these charges on major RE&I account items are shown below.

(Thousands of Dollars)

Account Item		Effect of Special Charge
TOTAL OPERATING REVENUES		0
Expenses		
Depreciation-Road 2/	- 28,627	
All Other Way and Structures	+ 17,343	
Total Way and Structures	- 11,284	
Depreciation-Equipment	+129,290	
All Other Equipment	+107,316	
Total Equipment Expense	+236,606	
Transportation-Train & Yard	+ 19,819	
Transportation-Spec. Serv. & Adm	+ 46	
General & Administrative	+166,813	
TOTAL OPERATING EXPENSES		+412,000
NET REVENUE FROM RAILWAY OPERATIONS		-412,000
INCOME (LOSS) FR. CONT. OPER. BEF. INC. TAX		-412,000
ORDINARY INCOME		-222,480
NET RAILWAY OPERATING INCOME		-222,480

1/ The ICG special charge brings the cumulative impact of special charges, this year, (including those by the Union Pacific and Burlington Northern) on selected account items to the following:

($ Millions)

	2Q UPC	2Q BN	3Q ICG	9 Months Total
Operating Revenues	0	0	0	0
Operating Expenses	0	+ 352	+ 412	+ 764
Net Revenue From Operations	0	- 352	- 412	- 764
Ordinary Income	- 356	- 180	- 222	- 758
Net Income	- 356	- 516	- 222	-1,094
Net Railway Operating Income	+ 303	- 180	- 222	- 99

2/ Includes profit on sales of several line segments.

4/28/87 A3275-1

ASSOCIATION OF AMERICAN RAILROADS

FOURTH QUARTER
R&E Series No. 728
(Includes Special Charge Supplement)

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

RAILROAD REVENUES, EXPENSES, AND INCOME
CLASS I RAILROADS IN THE UNITED STATES
(DOLLARS IN THOUSANDS)

ACCOUNT	FOR THE FOURTH QUARTER 1986	1985	PERCENT INCREASE 1986 OVER 1985	FOR THE TWELVE MONTHS ENDED DEC. 31 1986	1985	PERCENT INCREASE 1986 OVER 1985
REVENUE						
FREIGHT	6,243,533	6,530,062	D 4.4	25,098,144	26,710,720	D 6.0
PASSENGER	27,628	26,398	4.7	110,490	106,478	3.8
PASSENGER RELATED	46	58	D 19.4	187	254	D 26.4
ALL OTHER OPERATING REVENUE	193,400	193,405	D .0	738,852	778,153	D 5.0
JOINT FACILITY ACCOUNT	2,792	2,365	18.1	9,535	9,661	-1.3
TOTAL OPERATING REVENUES	6,466,397	6,751,285	D 4.2	25,957,348	27,605,066	D 6.0
EXPENSES						
DEPRECIATION-ROAD	590,926	473,730	24.7	1,676,500	1,208,905	38.7
ALL OTHER WAY AND STRUCTURES	819,181	767,936	6.7	3,055,560	3,110,860	D 1.8
TOTAL WAY AND STRUCTURES	1,409,187	1,221,666	15.4	4,732,060	4,319,768	9.5
DEPRECIATION-EQUIPMENT	461,792	329,474	40.2	1,316,966	1,005,266	31.0
ALL OTHER EQUIPMENT	1,228,618	1,356,559	D 9.4	4,226,410	5,193,025	D 18.5
TOTAL EQUIPMENT EXPENSE	1,690,410	1,686,033	.3	5,543,376	6,198,291	D 10.6
TRANSPORTATION-TRAIN & YARD	2,105,880	2,636,878	D 20.1	8,630,260	10,168,170	D 15.1
TRANSPORTATION-SPEC. SERV. & ADM.	382,465	442,533	D 18.1	1,400,469	1,500,676	D 6.7
GENERAL & ADMINISTRATIVE	1,156,492	787,328	46.6	3,365,717	2,841,996	18.3
TOTAL OPERATING EXPENSES	6,778,534	6,774,438	.1	24,651,902	25,231,285	D 2.3
NET REVENUE FROM RAILWAY OPERATIONS	DF 312,137	DF 23,153	D 1,248.1	1,305,446	2,373,781	D 45.0
OTHER INCOME						
DIVIDENDS FROM AFFILIATES	597,388	338,401	76.5	1,624,614	1,268,376	12.3
EQUITY IN UNDISTR.EARN. OF AFFIL.	41,010	35,643	15.1	65,811	60,856	8.1
TOTAL INC. FROM AFFILIATED COS.	DR 81,171 DR 20,161	DR 322 35,321	D ******** D 157.1	DR 3,866 61,945	30,154 61,010	D 112.8 D 1.5
MISCELLANEOUS DEDUCTIONS	87,450	111,792	D 21.8	329,025	311,183	6.1
INCOME AVAILABLE FOR FIXED CHARGES	177,640	238,777	D 25.6	2,467,780	3,421,984	D 27.9
FIXED CHARGES						
INTEREST ON FUNDED DEBT	215,207	207,716	3.6	868,279	862,787	2.5
INTEREST ON UNFUNDED DEBT	17,302	8,153	********	184,005	194,759	D 5.5
AMORT. OF DISCOUNT ON FUNDED DEBT	2,886	3,242	D 11.0	11,694	9,874	18.0
TOTAL FIXED CHARGES	235,677	219,141	12.1	897,938	899,420	D .2
INCOME AFTER FIXED CHARGES	DF 57,837	28,636	D 302.0	1,569,842	2,527,564	D 37.8
OTHER DEDUCTIONS	2,896	2,874	.7	11,370	11,653	D 2.4
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	0	.0	DR 659,734	0	D .0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	DF 60,731	25,762	D 335.7	898,738	2,510,911	D 64.2
INCOME TAXES ON ORDINARY INCOME	143,875	30,701	368.6	483,617	293,239	64.9
PROVISION FOR DEFERRED INC. TAXES	CR 168,855	CR 171,381	-1.5	CR 317,879	368,482	D 186.3
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	DF 35,751	166,442	D 121.5	733,199	1,849,190	D 60.4
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	.0	0	0	.0
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	.0	0	0	.0
ORDINARY INCOME	DF 35,751	166,442	D 121.5	733,199	1,849,190	D 60.4
EXTRAORDINARY ITEMS (NET)	35,192	15,650	124.8	132,200	95,101	39.0
INCOME TAXES ON EXTRAORD. ITEMS	0	1,155	D 100.0	0	1,155	D 100.0
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	DR 2,356	D 100.0	0	575	D 100.0
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	.0	335,841	0	.0
NET INCOME(AFTER EXTRAORD. ITEMS)	DF 559	183,299	D 100.3	529,558	1,942,561	D 72.7
INCOME FROM LEASE OF ROAD & EQUIP	442	429	2.6	1,577	1,615	D 2.4
RENT FOR LEASED ROADS & EQUIPMENT	8,232	CR 5,243	-257.0	29,968	13,317	124.9
NET RAILWAY OPERATING INCOME	DR 279,365	111,855	D 349.8	1,168,278	1,723,762	D 32.2
CASH FLOW	909,283	798,587	13.9	3,412,653	4,401,472	D 22.5
RATIOS						
RATIO TO OPERATING REVENUES						
OPERATING EXPENSES	104.8	100.3		95.0	91.4	
OPERATING EXPENSES(INC.INC.TAXES)	104.4	98.3		93.6	93.8	
NET RAILWAY OPERATING INCOME	DR 4.3	1.7		4.5	6.2	

RATE OF RETURN ON PROPERTY INVESTMENT [1]

12 MONTHS ENDED DECEMBER 31, 1986 & 1985

(Dollars in Thousands)

	NET INVESTMENT		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT	$22,055,817	$21,822,309	$ 746,844	$ 731,393	3.39%	3.35%
WESTERN DISTRICT	24,043,407	23,567,746	421,434	992,369	1.75	4.21
UNITED STATES	$46,099,224	$45,390,055	$ 1,168,278	$ 1,723,762	2.53%	3.80%

RAILROAD REVENUES, EXPENSES, AND INCOME

FOURTH QUARTER 1986 AND 1985

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	22,576	26,992	23,851	28,037	24,381	28,450	4,946	1,827	-456	-339
CONRAIL	753,678	742,047	777,781	770,186	673,723	670,329	84,179	97,845	69,140	85,648
CSX TRANSPORTATION [23]	1,092,278	1,132,558	1,135,069	1,168,561	1,018,697	1,797,558	78,831	-357,521	41,229	-313,514
DELAWARE & HUDSON	16,728	27,039	17,329	27,325	23,539	28,027	-5,405	-790	-6,197	-689
FLORIDA EAST COAST	33,690	30,855	34,612	31,589	23,845	22,774	12,285	6,543	4,985	4,535
GRAND TRUNK WESTERN	75,667	84,043	78,934	87,565	102,278	85,801	-22,598	854	-21,497	1,355
ILLINOIS CENTRAL GULF	129,062	190,927	145,180	209,078	136,330	196,732	38,181	15,523	4,302	5,479
NORFOLK & WESTERN	398,052	418,844	414,447	434,026	347,609	352,664	98,003	63,359	11,265	42,687
SOUTHERN RAILWAY SYSTEM	401,169	410,745	409,421	420,014	341,768	334,528	44,299	52,736	36,066	48,664
#TOTAL EASTERN DISTRICT	2,922,900	3,063,860	3,037,624	3,175,381	2,692,170	3,516,863	332,721	-119,614	138,837	-124,774
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	476,594	507,845	485,385	518,603	731,331	481,375	-132,073	30,729	-139,495	28,434
BURLINGTON NORTHERN	894,641	980,961	905,290	980,907	868,681	808,113	31,695	110,679	-6,670	104,204
CHICAGO & NORTH WESTERN	168,682	178,820	193,844	205,262	186,235	227,266	14,414	-21,279	7,762	-17,672
DENVER & RIO GRANDE WESTERN	59,670	76,085	60,733	77,491	57,339	67,692	6,234	6,929	1,908	5,051
KANSAS CITY SOUTHERN	72,434	71,908	75,657	75,540	119,613	64,602	-22,109	5,534	-23,602	7,332
MISSOURI-KANSAS-TEXAS	53,918	55,194	55,127	57,656	56,284	57,412	2,327	-3,935	101	675
SOO LINE [25]	141,709	151,226	146,671	157,131	216,015	159,582	-36,965	4,576	-35,727	-3,970
SOUTHERN PACIFIC CO.	446,807	466,288	465,195	483,745	944,060	486,523	-297,690	61,832	-276,197	12,969
ST. LOUIS SOUTHWESTERN	91,198	93,687	93,027	95,336	180,554	85,743	p -43,930	7,698	-49,760	5,763
UNION PACIFIC [27]	924,980	904,318	944,844	924,731	746,252	819,267	107,604	63,323	103,478	92,461
#TOTAL WESTERN DISTRICT	3,320,633	3,466,202	3,428,773	3,575,906	4,086,364	3,257,575	-368,472	286,056	-418,202	236,629
TOTAL	6,243,533	6,530,062	6,466,397	6,751,285	6,778,534	6,774,438	-35,751	166,442	-279,365	111,855

Class I Railroad Industry Earnings

Excluding Special Charges [1/]

For the Calendar Year

	Excluding Special Charges		
	1986 ($millions)	1985 ($millions)	%CH
Operating Revenues	$25,957	$27,605	- 6%
Operating Expenses	22,850	24,447	- 7
Net Revenue from Operations:			
United States	3,108	3,158	- 2
Eastern District	1,650	1,760	- 6
Western District	1,458	1,398	+ 4
Ordinary Income:			
United States	2,053	2,438	- 16
Eastern District	1,191	1,416	- 16
Western District	862	1,021	- 16
Net Income	2,185	2,532	- 14
Net Railway Operating Income	1,828	2,162	- 15
Rate of Return on Net Investment [2/]	3.95%	4.76%	

For the Fourth Quarter

	4Q:1986 ($millions)	4Q:1985 ($millions)	%CH
Operating Revenues	$ 6,466	$ 6,751	- 4%
Operating Expenses	5,741	5,990	- 4
Net Revenue from Operations:			
United States	726	761	- 5
Eastern District	345	443	- 22
Western District	380	318	+ 19
Ordinary Income:			
United States	525	755	- 30
Eastern District	333	469	- 29
Western District	192	286	- 33
Net Income	561	772	- 27
Net Railway Operating Income	281	550	- 49

1/ During calendar year 1985 Special Charges were recorded for CSX. During 1986 Special Charges were recorded for BN, UPC, ICG, SOO, KCS, ATSF, SP and SSW.

During fourth quarter 1985 Special Charges were recorded by CSX. During fourth quarter 1986 Special Charges were recorded by SOO, KCS, ATSF, SP and SSW.

2/ Rate of return for the 12 months ended December 31. Calculated as Net Railway Operating Income divided by Average Net Investment.

NOTE: Figures may not add exactly due to rounding. After tax earnings based on application of statutory tax rate, when otherwise unavailable.

Special Charge Summary

(Thousands of Dollars)

Special Charges are generally recorded as Operating Expenses, exceptions are footnoted below.

Railroad	Quarter	Pretax Special Charge	Cumulative Effect Changes in Accounting Principles
BN	2nd 1986	$ 352,498	$650,360 1/
UPC	2nd 1986	659,734 2/	
ICG	3rd 1986	412,000	
ATSF	4th 1986	312,809	
SP/SSW	4th 1986	598,008	
KCS	4th 1986	53,991	
SOO	4th 1986	73,000	
TOTAL	Year 1986	$2,461,680	$650,360
CSX	4th 1985	$ 934,635 3/	
TOTAL	Year 1985	$ 934,635	

1/ $650,360 Cumulative Change in Accounting Principles

2/ Listed as an Unusual or Infrequent Item.

3/ $784,448 in Operating Expenses minus $123,222 in Other Income plus $26,965 in Miscellaneous Deduction.

RAILROAD REVENUES, EXPENSES, AND INCOME

TWELVE MONTHS DECEMBER 31, 1986 AND 1985

Class I Railroads in the United States

DOLLARS IN THOUSANDS

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT 101		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985
EASTERN DISTRICT										
BOSTON & MAINE	80,869	110,730	95,203	115,708	91,768	114,873	690	4,357	-6,269	1,131
CONRAIL	2,990,748	3,039,311	3,098,125	3,153,648	2,693,081	2,763,831	315,689	360,954	279,693	309,064
CSX TRANSPORTATION	4,392,157	4,621,149	4,528,949	4,772,575	3,980,910	4,953,423	329,310	-73,759	342,910	-4,624
DELAWARE & HUDSON	80,807	108,125	82,332	109,040	93,830	112,311	-12,495	-3,267	-11,446	-2,598
FLORIDA EAST COAST	118,039	115,558	121,177	117,788	91,002	91,441	25,441	23,632	11,390	9,284
GRAND TRUNK WESTERN	276,486	329,108	237,056	342,947	266,999	338,118	-29,042	1,414	-25,656	5,294
ILLINOIS CENTRAL GULF	608,087	807,879	679,489	880,518	1,028,626	836,747	-171,674	25,677	-190,080	33,256
NORFOLK & WESTERN	1,577,192	1,655,060	1,639,944	1,720,856	1,331,779	1,365,983	293,050	281,339	127,477	170,397
SOUTHERN RAILWAY SYSTEM	1,661,295	1,665,005	1,678,284	1,704,338	1,324,532	1,365,735	217,199	207,687	218,835	210,159
#TOTAL EASTERN DISTRICT	11,735,680	12,452,159	12,140,459	12,918,018	10,902,527	11,942,462	968,168	827,971	746,944	731,393
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	1,910,188	2,099,995	1,951,654	2,144,190	2,084,930	1,949,150	-62,692	125,792	-51,966	119,699
BURLINGTON NORTHERN	3,647,645	3,959,685	3,732,981	4,040,540	3,628,211	3,261,664	81,131	488,510	63,924	458,296
CHICAGO & NORTH WESTERN	722,156	721,428	823,586	823,681	788,400	825,557	35,958	-29,505	34,076	4,435
DENVER & RIO GRANDE WESTERN	290,799	320,254	285,273	325,463	253,074	287,134	22,757	24,051	17,910	23,495
KANSAS CITY SOUTHERN	286,116	302,180	299,912	316,704	307,322	270,164	-2,962	23,792	545	31,664
MISSOURI-KANSAS-TEXAS	222,083	251,483	232,695	261,102	227,435	251,483	6,791	-5,681	6,232	7,331
SOO LINE	438,606	580,776	456,216	600,373	524,538	597,922	-39,903	-2,256	-33,038	13,102
SOUTHERN PACIFIC CO.	1,836,389	1,989,484	1,909,015	2,053,880	2,426,668	2,066,407	-256,258	116,976	-292,101	14,344
ST. LOUIS SOUTHWESTERN	354,864	383,696	360,631	390,089	423,570	362,228	-25,478	21,229	-34,666	17,276
UNION PACIFIC	3,693,618	3,652,774	3,769,929	3,728,877	3,085,227	3,379,114	4,697	258,152	710,609	294,947
#TOTAL WESTERN DISTRICT	13,392,464	14,258,555	13,816,892	14,687,048	13,749,375	13,288,823	-234,969	1,321,269	421,436	992,369
TOTAL	25,099,144	26,710,720	25,957,348	27,605,066	24,651,902	25,231,285	733,199	1,949,190	1,169,274	1,723,762

3a

TOTAL OPERATING REVENUES, EXPENSES, ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON—MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES 3c
BY QUARTERS 1981 - 1986

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total 3b
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 545	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700	6 641	6 428	6 466	25 957
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040	6 117	5 986	6 779	24 652
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402	31	341	-36	733
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$190	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410	705	334	-276	1 168
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	876 984
1986	219 636	221 527	218 331	22, 582	874 456
CAPITAL EXPENDITURES					
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	668	1 100	1 061		

r - revised
p - Preliminary

FOOTNOTES

1. Rate of Return on Property Investment is calculated on a Depreciation Accounting basis. Net Investment for the year ending December 31, 1986 is estimated using end of year 1985 net investment. Net Investment for year ending December 31, 1985 is estimated using average 1985 net investment.

2. a) CSX Transportation includes what was formerly the Chesapeake & Ohio, the Baltimore & Ohio and the Seaboard System.

   b) The Soo Line includes the Chicago, Milwaukee, St. Paul & Pacific Railroad.

   c) The Union Pacific includes the Union Pacific Railroad, the Missouri Pacific Railroad, and the Western Pacific Railroad.

3. a) The comparability of quarterly trends data is affected by the change, effective first quarter 1984, from Replacement, Retirement, Betterment Accounting (RRB) to Depreciation Accounting (DA).

   b) Difference between the sum of quarters and "Total" are due to rounding and year end revisions.

   c) Beginning fourth quarter 1985, data reflects the reclassification of the EJE as a non-Class I road.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
APRIL 17, 1987

ASSOCIATION OF AMERICAN RAILROADS

FIRST QUARTER
R&E Series No. 729

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

FOR THE FIRST QUARTER

ACCOUNT	1987	1986	PERCENT INCREASE 1987 OVER 1986
REVENUE			
FREIGHT	6,229,667	6,464,564	D 3.6
PASSENGER	27,960	29,478	5.6
PASSENGER RELATED	93	46	102.2
ALL OTHER OPERATING REVENUE	185,949	194,716	D 4.5
JOINT FACILITY ACCOUNT	2,349	2,282	2.9
TOTAL OPERATING REVENUES	6,445,818	6,538,085	D 1.4
EXPENSES			
DEPRECIATION-ROAD	272,932	254,038	7.4
ALL OTHER WAY AND STRUCTURES	753,548	781,447	D 3.6
TOTAL WAY AND STRUCTURES	1,026,480	1,035,485	D .9
DEPRECIATION-EQUIPMENT	285,145	236,404	20.6
ALL OTHER EQUIPMENT	1,233,900	1,308,275	D 5.7
TOTAL EQUIPMENT EXPENSE	1,519,045	1,544,683	D 1.7
TRANSPORTATION-TRAIN & YARD	2,143,275	2,411,113	D 11.1
TRANSPORTATION-SPEC. SERV. & ADM.	371,940	350,177	6.2
GENERAL & ADMINISTRATIVE	691,179	682,465	1.3
TOTAL OPERATING EXPENSES	5,751,819	6,023,923	D 4.5
NET REVENUE FROM RAILWAY OPERATIONS	693,999	664,163	4.5
OTHER INCOME	331,002	268,407	23.3
DIVIDENDS FROM AFFILIATES	3,771	5,888	D 45.3
EQUITY IN UNDISTR.EARN. OF AFFIL.	20,104	23,203	D 2.9
TOTAL INC. FROM AFFILIATED COS.	23,875	27,491	D 13.2
MISCELLANEOUS DEDUCTIONS	70,402	75,296	D 6.5
INCOME AVAILABLE FOR FIXED CHARGES	978,474	884,765	10.6
FIXED CHARGES			
INTEREST ON FUNDED DEBT	209,249	220,351	D 5.0
INTEREST ON UNFUNDED DEBT	16,723	1,391	1,110.9
AMORT. OF DISCOUNT ON FUNDED DEBT	3,327	2,903	14.6
TOTAL FIXED CHARGES	229,299	224,635	2.1
INCOME AFTER FIXED CHARGES	749,175	660,130	13.5
OTHER DEDUCTIONS	2,873	2,925	D 1.8
UNUSUAL OR INFREQ.ITEMS (DR.) CR.	0	0	.0
INCOME(LOSS)FR.CONT.OPER.BEF.INC.TAX	746,302	657,205	13.6
INCOME TAXES ON ORDINARY INCOME	187,094	107,777	73.6
PROVISION FOR DEFERRED INC. TAXES	115,686	148,127	D 21.9
INCOME(LOSS)FR.CONT.OPER.AFT.INC.TAX	443,522	401,301	10.5
INC.(LOSS)FR.OPER.OF DISCONT.SEG.	0	0	.0
GAIN(LOSS)ON DISP.OF DISCONT.SEG.	0	0	.0
ORDINARY INCOME	443,522	401,301	10.5
EXTRAORDINARY ITEMS (NET)	32,020	15,258	109.9
INCOME TAXES ON EXTRAORD. ITEMS	0	0	.0
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS	0	0	.0
CUM.EFFECT CHANGES IN ACCT.PRIN.	0	0	.0
NET INCOME(AFTER EXTRAORD. ITEMS)	475,542	416,559	14.2
INCOME FROM LEASE OF ROAD & EQUIP	486	400	21.5
RENT FOR LEASED ROADS & EQUIPMENT	12,555	7,559	66.1
NET RAILWAY OPERATING INCOME	463,288	415,418	11.5
CASH FLOW	1,097,181	1,019,271	7.6
RATIOS			
RATIO TO OPERATING REVENUES			
OPERATING EXPENSES	89.2	90.1	
OPERATING EXPENSES(INC.INC.TAXES)	93.9	93.9	
NET RAILWAY OPERATING INCOME	6.3	6.2	

RATE OF RETURN ON PROPERTY INVESTMENT

12 MONTHS ENDED MARCH 31, 1987 AND 1986

(Dollars in Thousands)

	NET INVESTMENT		NET RAILWAY OPERATING INCOME		RATE OF RETURN	
	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT	$17,651,494	$17,676,768	$669,574	$801,543	3.79%	4.53%
WESTERN DISTRICT	$17,605,428	$18,340,695	($170,163)	$977,975	-0.97%	5.33%
UNITED STATES	$35,256,922	$36,017,463	$499,411	$1,779,518	1.42%	4.94%

RAILROAD REVENUES, EXPENSES, AND INCOME

FIRST QUARTER 1987 AND 1986

Class I Railroads in the United States

(Dollars in Thousands)

DISTRICT AND RAILROAD	FREIGHT REVENUE ACCOUNT (01)		TOTAL OPERATING REVENUES		TOTAL OPERATING EXPENSES		ORDINARY INCOME		NET RAILWAY OPERATING INCOME	
	1987	1986	1987	1986	1987	1986	1987	1986	1987	1986
EASTERN DISTRICT										
BOSTON & MAINE	21,656	23,079	22,660	24,070	25,012	25,197	24	2,690	-2,327	-1,059
CONRAIL	746,708	734,258	771,676	760,751	700,056	714,196	54,099	44,524	35,841	31,310
CSX TRANSPORTATION	1,090,734	1,108,990	1,112,174	1,140,473	985,956	1,006,035	63,068	70,403	88,547	93,352
DELAWARE & HUDSON	20,583	24,917	21,038	25,374	22,227	26,335	-1,515	-1,762	-1,176	-948
FLORIDA EAST COAST	31,961	29,312	32,772	29,881	23,095	22,777	6,726	4,637	4,614	2,683
GRAND TRUNK WESTERN	75,985	79,596	79,022	83,093	85,159	89,778	-4,897	-5,561	-4,615	-5,532
ILLINOIS CENTRAL GULF	131,194	141,933	149,623	201,761	139,279	173,307	183	17,515	10,500	23,477
NORFOLK & SOUTHERN	787,291	829,138	814,341	857,214	673,823	690,001	125,508	104,405	38,751	97,773
*TOTAL EASTERN DISTRICT	2,896,112	3,009,933	3,002,306	3,122,621	2,653,607	2,744,626	243,196	236,861	170,139	241,062
WESTERN DISTRICT										
ATCHISON, TOPEKA & SANTA FE	455,706	497,757	466,328	509,105	444,886	475,211	11,682	19,343	13,496	25,899
BURLINGTON NORTHERN	924,329	944,609	944,549	967,103	836,125	825,440	95,172	78,221	69,506	83,525
CHICAGO & NORTH WESTERN	159,182	186,853	196,307	212,764	184,091	202,933	8,631	3,779	12,158	10,154
DENVER & RIO GRANDE WESTERN	60,466	74,363	61,640	75,729	60,990	66,256	209	4,921	1,127	6,063
KANSAS CITY SOUTHERN	69,926	77,610	73,759	81,196	59,833	66,067	7,252	9,034	8,793	10,087
MISSOURI-KANSAS-TEXAS	55,034	58,508	57,425	61,413	54,052	58,697	1,661	1,220	3,782	2,979
SOO LINE	142,739	152,264	147,731	156,560	143,982	152,883	58	371	4,220	3,532
SOUTHERN PACIFIC CO.	445,747	452,503	465,282	470,054	471,668	533,226	9,770	-31,792	-1,668	-59,984
ST. LOUIS SOUTHWESTERN	91,992	84,524	93,509	85,925	81,174	81,737	7,161	4,106	7,276	2,439
UNION PACIFIC	918,236	926,340	936,982	945,617	761,411	816,847	131,720	75,238	114,459	89,642
*TOTAL WESTERN DISTRICT	3,333,355	3,454,531	3,443,512	3,565,465	3,098,212	3,279,297	283,326	164,443	233,149	174,356
TOTAL	6,229,467	6,464,564	6,445,818	6,688,086	5,751,819	6,023,923	493,522	401,301	403,294	415,419

TOTAL OPERATING REVENUES, EXPENSES, [3] ORDINARY INCOME, NET RAILWAY OPERATING INCOME, REVENUE TON-MILES AND CAPITAL EXPENDITURES

CLASS I RAILROADS IN THE UNITED STATES BY QUARTERS 1981 - 1987[2]

(All amounts in millions)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total [4]
TOTAL OPERATING REVENUES					
1981	$7 660	$7 582	$7 964	$7 699	$30 905
1982	7 190	7 222	6 613	6 482	27 507
1983	6 397	6 584	6 808	6 937	26 726
1984	7 451	7 585	7 415	7 048	29 459
1985	7 079	7 068	6 743	6 745	27 635
1986	6 700	6 641	6 428	6 456	25 957
1987	6 446				
TOTAL OPERATING EXPENSES					
1981	$6 954	$7 174	$7 332	$7 117	$28 577
1982	6 821	6 821	6 500	6 331	26 473
1983	6 028	6 221	6 319	6 396	24 964
1984	6 619	6 471	6 351	6 363	25 804
1985	6 460	6 153	5 914	6 736	25 259
1986	6 040	6 117	5 986	6 779	24 652
1987	5 752				
ORDINARY INCOME (After Fixed Charges)					
1981	$626	$336	$480	$562	$2 004
1982	216	340	200	425	1 180
1983	181	235	371	430	1 217
1984	593	809	769	488	2 659
1985	402	640	646	85	1 779
1986	402	31	341	-36	733
1987	444				
NET RAILWAY OPERATING INCOME					
1981	$475	$278	$434	$198	$1 385
1982	201	267	115	183	767
1983	265	247	399	385	1 296
1984	564	767	731	482	2 544
1985	382	646	573	159	1 762
1986	410	705	334	-276	1 168
1987	403				
REVENUE TON-MILES					
1981	236 597	222 516	227 534	225 058	911 705
1982	207 428	208 027	191 521	192 771	799 747
1983	196 120	203 900	210 808	215 323	826 150
1984	231 377	235 017	233 686	221 671	921 751
1985	220 655	222 843	216 223	216 302	876 984
1986	219 636	221 527	218 331	221 582	874 456
1987	226 393				
CAPITAL EXPENDITURES					
1981	926	710	550	668	2 854
1982	417	513	461	584	1 975
1983	227	505	364	710	1 807
1984	648	1 165	1 327	1 177	4 317
1985	699	1 336	1 321	1 136	4 493
1986	668	1 100	1 061		

ASSOCIATION OF AMERICAN RAILROADS

FOOTNOTES TO THE RE&I REPORT

1. Rate of Return on Property Investment is calculated on a Depreciation Accounting basis using the ICC's revenue adequate methodology, which subtracts accumulated deferred tax reserves from the investment base. Net investment for the year ending March 31, 1987 is estimated using end of year 1986 net investment and net investment for year ending March 31, 1986 uses end of year 1985 net investment.

2. Effective January 1, 1983, the Long Island Railroad was reclassified to Class III. Effective January 1, 1985, the Bessemer & Lake Erie Railroad, Pittsburgh & Lake Erie and the Duluth, Missabe and Iron Range railroads were reclassified to Class II. Effective October 1, 1986, the Elgin, Joilet and Eastern railroad was reclassified to Class II. The data for all of the above roads is included in the trends data for periods when they were classified as Class I.

3. Beginning in 1984, statistics are on a Depreciation Accounting basis. Since prior to 1984, all data was on a Replacement, Retirement, Betterment basis trend comparisons of data before and after 1984 are invalid.

4. Differences between totals and subtotals are due to rounding.

ECONOMICS & FINANCE DEPARTMENT
ASSOCIATION OF AMERICAN RAILROADS
50 F STREET, NW
WASHINGTON, DC 20001
JULY 16, 1987

ASSOCIATION OF AMERICAN RAILROADS

RAILROAD REVENUES, EXPENSES, AND INCOME

CLASS I RAILROADS IN THE UNITED STATES

(Dollars in Thousands)

ACCOUNT	SECOND QUARTER 1987	SECOND QUARTER 1986	SECOND QUARTER IChange	YEAR-TO-DATE 1987	YEAR-TO-DATE 1986	YEAR-TO-DATE IChange
FREIGHT	6,422,568	6,417,032	0.09%	12,652,035	12,881,596	-1.78%
PASSENGER	24,304	26,763	-9.19%	52,264	53,241	-1.84%
PASSENGER - RELATED	59	47	25.53%	152	93	63.44%
ALL OTHER OPERATING REVENUES	175,563	182,909	-4.02%	361,512	377,625	-4.27%
JOINT FACILITY ACCOUNT	2,271	2,167	4.80%	4,620	4,449	3.84%
OPERATING REVENUES	6,624,765	6,628,918	-0.06%	13,070,583	13,317,004	-1.85%
DEPRECIATION - ROAD	268,621	607,458	-55.78%	541,553	861,496	-37.14%
ALL OTHER WAY AND STRUCTURES	750,117	753,582	-0.46%	1,503,665	1,535,029	-2.04%
TOTAL WAY AND STRUCTURES	1,018,738	1,361,040	-25.15%	2,045,218	2,396,525	-14.66%
DEPRECIATION - EQUIPMENT	279,056	263,226	6.01%	564,201	499,634	12.92%
ALL OTHER EQUIPMENT	1,212,168	1,291,418	-6.14%	2,446,068	2,599,693	-5.91%
TOTAL EQUIPMENT	1,491,224	1,554,644	-4.08%	3,010,269	3,099,327	-2.87%
TRANSPORTATION - TRAIN AND YARD	2,145,258	2,147,090	-0.09%	4,288,533	4,558,203	-5.92%
TRANSPORTATION - SPECIALIZED SERV. & ADM.	381,625	356,786	6.96%	753,465	706,963	6.58%
GENERAL AND ADMINISTRATIVE	696,475	682,970	1.98%	1,387,654	1,365,435	1.63%
OPERATING EXPENSES	5,733,320	6,102,530	-6.05%	11,485,139	12,126,453	-5.29%
NET REVENUE RAIL OPERATIONS	891,445	526,388	69.35%	1,585,444	1,190,551	33.17%
OTHER INCOME	253,736	271,817	-6.65%	584,738	540,224	8.24%
INCOME FROM AFFILIATED COMPANIES:						
DIVIDENDS	15,592	10,651	46.39%	19,363	17,539	10.40%
EQUITY IN UNDISTRIBUTED EARNINGS (LOSSES)	13,344	23,078	-42.18%	33,447	43,681	-23.43%
TOTAL INCOME FROM AFFILIATED COMPANIES	28,936	33,729	-14.21%	52,810	61,220	-13.74%
MISCELLANEOUS DEDUCTIONS FROM INCOME	54,281	78,987	-31.28%	124,683	154,283	-19.19%
INCOME AVAILABLE FOR FIXED CHARGES	1,119,836	752,947	48.73%	2,098,309	1,637,712	28.12%
INTEREST ON FUNDED DEBT	202,713	214,665	-5.57%	411,962	435,016	-5.30%
INTEREST ON UNFUNDED DEBT	19,871	2,922	580.05%	36,594	4,303	750.43%
AMORTIZATION OF DISCOUNT ON FUNDED DEBT	2,487	2,891	-13.97%	5,814	5,794	0.35%
TOTAL FIXED CHARGES	225,071	220,478	2.08%	454,370	445,113	2.08%
INCOME AFTER FIXED CHARGES	894,765	532,469	68.04%	1,643,939	1,192,599	37.85%
OTHER DEDUCTIONS	2,864	2,915	-1.75%	5,737	5,840	-1.76%
UNUSUAL OR INFREQUENT ITEMS (DEBIT) CREDIT	0	(659,734)	-	0	(659,734)	-
INCOME (LOSS) FR.CONT.OPER.BEF.INC.TAXES	891,901	(130,180)	-	1,638,202	527,025	210.84%
INCOME TAXES ON ORDINARY INCOME	155,248	91,382	69.89%	342,342	199,159	71.89%
PROVISION FOR DEFERRED INCOME TAXES	180,895	(267,776)	-	296,581	(119,649)	-
INCOME (LOSS) FR.CON.OPER.AFT.INC.TAXES	555,758	46,214	1102.57%	999,279	447,515	123.30%
INCOME OR (LOSS) FR.OPER.OF DISCONT.SEG.						
GAIN OR (LOSS) ON DISP.OF DISCONT.SEG.						
ORDINARY INCOME	555,758	46,214	1102.57%	999,279	447,515	123.30%
EXTRAORDINARY ITEMS (NET)	0	39,691	-100.00%	32,020	54,949	-41.73%
INCOME TAXES ON EXTRAORD. ITEMS						
PROV.FOR DEF.TAXES-EXTRAORD.ITEMS						
CUM.EFFECT CHANGES IN ACCT.PRIN.		(335,841)	-		(335,841)	-
NET INCOME	555,758	(249,936)	-	1,031,299	166,623	518.94%
** INCOME FROM LEASE OF ROAD AND EQUIPM	(622)	(404)	-	(1,108)	(804)	-
** RENT FOR LEASED ROADS AND EQUIPMENT	17,474	5,011	248.71%	30,029	12,570	138.89%
NET RAILWAY OPERATING INCOME	572,154	707,389	-19.12%	975,442	1,122,807	-13.12%
DIVIDENDS ON COMMON STOCK	267,203	338,633	-21.09%	507,485	636,951	-20.33%
DIVIDENDS ON PREFERRED STOCK	2,641	3,020	-12.55%	6,632	7,034	-5.72%
**** RATIOS ****						
EXPENSES TO REVENUES	86.544%	92.059%		87.870%	91.060%	
TOTAL MAINTENANCE TO REVENUES	37.888%	43.984%		38.678%	41.269%	
TRANSPORTATION TO REVENUES	38.143%	37.772%		38.575%	39.537%	
CASH FLOW	1270986	626044	103.02%	2368167	1645315	43.93%

RATE OF RETURN ON PROPERTY INVESTMENT

	June 30,1986 US	June 30,1986 EAST	June 30,1986 WEST	June 30,1987 US	June 30,1987 EAST	June 30,1987 WEST
NET INVESTMENT	$36,069,117	$17,728,222	$18,340,895	$35,657,694	$18,013,194	$17,644,500
NET RAILWAY OPERATING INCOME	$1,187,606	$772,527	$414,640	$1,030,056	$624,969	$405,087
RETURN ON INVESTMENT	3.29%	4.36%	2.26%	2.89%	3.47%	2.30%

NOTE: ROI for the 12 months ended June 30, 1986 and 1987 using ICC methodology.

FOR THE QUARTER

RAILROAD REVENUES, EXPENSES, AND INCOME

Class I Railroads in the United States

(Dollars in Thousands)

SECOND QUARTER 1987 and 1986

Railroad & District	FREIGHT REVENUE 1987	FREIGHT REVENUE 1986	OPERATING REVENUE 1987	OPERATING REVENUE 1986	OPERATING EXPENSES 1987	OPERATING EXPENSES 1986	ORDINARY INCOME 1987	ORDINARY INCOME 1986	NET RAILWAY OPERATING INCOME 1987	NET RAILWAY OPERATING INCOME 1986
Boston & Maine	23,571	15,412	24,887	16,284	24,915	19,990	1,553	(3,069)	(3)	(3,632)
Conrail	778,421	774,528	801,898	797,835	688,413	657,700	71,621	106,337	67,562	101,539
CSX Transportation	1,133,645	1,141,823	1,166,865	1,177,081	1,017,065	987,756	74,133	111,547	99,319	119,637
Delaware & Hudson	21,560	17,646	22,006	17,888	20,945	20,117	553	(3,059)	1,074	(2,216)
Florida East Coast	31,735	28,610	32,196	29,291	24,681	22,765	5,517	4,488	3,376	2,064
Grand Trunk Western	74,722	82,033	76,614	85,976	74,744	86,522	3,231	9,596	1,364	(848)
Illinois Central Gulf	127,386	153,029	136,651	170,857	126,195	168,838	2,690	3,748	10,572	8,242
Norfolk Southern	819,409	829,883	847,672	856,916	660,427	646,473	118,348	139,007	106,627	115,570
TOTAL EAST	3,010,449	3,042,964	3,108,789	3,152,128	2,637,385	2,610,161	277,646	368,595	291,891	340,356
Atchison Topeka & Santa Fe	492,384	461,564	502,029	471,583	437,796	437,660	33,822	21,155	39,988	27,537
Burlington Northern	944,195	895,040	963,453	915,635	837,459	1,181,248	69,193	(131,645)	81,473	(122,531)
Chicago & North Western	161,265	181,117	185,606	205,490	180,843	193,043	1,745	4,620	5,413	12,265
Denver & Rio Grande Western	64,948	76,979	65,200	77,934	64,076	68,057	858	6,152	726	4,901
Kansas City Southern	73,480	67,231	77,107	70,595	61,687	60,827	8,188	4,589	9,624	6,781
Missouri-Kansas-Texas	58,738	55,562	61,037	58,361	57,582	56,270	3,155	4,200	3,886	2,348
SOO Line	147,022	147,655	151,077	152,060	142,501	149,874	4,766	4,948	5,380	5,404
Southern Pacific	455,689	479,504	476,390	498,082	472,822	479,507	37,138	29,530	7,223	21,961
St. Louis Southwestern	91,837	89,121	93,423	90,256	76,496	83,176	10,962	4,650	8,612	4,606
Union Pacific	922,561	920,295	940,654	936,794	764,673	782,707	108,285	(270,580)	117,938	403,761
TOTAL WEST	3,412,119	3,374,068	3,515,976	3,476,790	3,095,935	3,492,369	278,112	(322,381)	280,263	367,033
UNITED STATES TOTAL	6,422,568	6,417,032	6,624,765	6,628,918	5,733,320	6,102,530	555,758	46,214	572,154	707,389

YEAR TO DATE

RAILROAD REVENUES, EXPENSES, AND INCOME

Class I Railroads in the United States

(Dollars in Thousands)

SIX MONTHS 1987 and 1986

Railroad & District	FREIGHT REVENUE 1987	FREIGHT REVENUE 1986	OPERATING REVENUE 1987	OPERATING REVENUE 1986	OPERATING EXPENSES 1987	OPERATING EXPENSES 1986	ORDINARY INCOME 1987	ORDINARY INCOME 1986	NET RAILWAY OPERATING INCOME 1987	NET RAILWAY OPERATING INCOME 1986
Boston & Maine	45,227	38,491	47,547	40,354	49,927	45,187	1,577	(379)	(2,330)	(4,685)
Conrail	1,525,129	1,508,796	1,573,574	1,558,586	1,388,469	1,371,896	125,720	150,861	103,403	132,849
CSX Transportation	2,214,379	2,250,813	2,279,039	2,317,554	2,003,021	1,993,791	134,201	181,950	187,866	212,989
Delaware & Hudson	42,143	42,563	43,044	43,262	43,172	46,452	(962)	(4,801)	(102)	(3,164)
Florida East Coast	63,696	57,622	64,968	59,172	47,776	45,542	12,242	9,095	7,994	4,747
Grand Trunk Western	150,707	161,629	155,636	169,069	159,903	176,300	(1,666)	4,055	(1,251)	(6,380)
Illinois Central Gulf	258,580	334,962	285,274	372,618	264,474	339,145	2,873	21,263	21,072	31,719
Norfolk Southern	1,606,700	1,658,021	1,662,013	1,714,134	1,334,250	1,336,474	243,856	243,412	145,378	213,343
TOTAL EAST	5,906,561	6,052,897	6,111,095	6,274,749	5,290,992	5,354,787	517,841	605,456	462,030	581,418
Atchison Topeka & Santa Fe	948,090	959,321	968,357	980,689	882,682	912,871	45,504	40,495	53,484	53,436
Burlington Northern	1,868,524	1,839,449	1,908,002	1,882,738	1,673,584	2,006,688	124,365	(53,424)	150,979	(39,006)
Chicago & North Western	330,447	367,970	381,913	418,254	364,934	395,976	10,376	8,399	17,571	22,419
Denver & Rio Grande Western	125,414	151,342	126,840	153,663	125,066	134,313	1,067	11,073	1,853	10,964
Kansas City Southern	143,404	144,641	150,866	151,789	121,520	126,894	15,440	13,623	18,417	16,868
Missouri-Kansas-Texas	113,772	114,070	118,462	119,774	111,634	114,967	4,816	5,420	7,668	5,327
SOO Line	289,761	299,919	298,808	308,620	286,483	302,757	4,834	5,321	9,600	8,936
Southern Pacific	901,436	932,007	941,672	968,136	944,490	1,012,733	46,908	(2,262)	5,555	(38,003)
St. Louis Southwestern	183,829	173,645	186,932	176,181	157,670	164,913	18,123	8,756	15,888	7,045
Union Pacific	1,840,797	1,846,335	1,877,636	1,882,411	1,526,084	1,599,554	210,005	(195,342)	232,397	493,403
TOTAL WEST	6,745,474	6,828,699	6,959,488	7,042,255	6,194,147	6,771,666	481,438	(157,941)	513,412	541,389
UNITED STATES TOTAL	12,652,035	12,881,596	13,070,583	13,317,004	11,485,139	12,126,453	999,279	447,515	975,442	1,122,807

RAILROAD FINANCIAL TRENDS

Class I Railroads in the United States

QUARTERLY TRENDS

Year	Qtr	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	1Q	$7,190,176	$6,821,344	$216,107	$203,812	207,428	$416,646
1982	2Q	$7,222,128	$6,820,596	$340,175	$265,014	208,026	$513,393
1982	3Q	$6,612,549	$6,500,484	$161,042	$114,512	190,884	$461,361
1982	4Q	$6,481,840	$6,330,777	$424,855	$183,569	192,771	$583,452
1983	1Q	$6,487,332	$6,125,837	$173,249	$256,027	196,120	$227,406
1983	2Q	$6,695,033	$6,345,586	$254,985	$234,271	203,900	$505,256
1983	3Q	$6,808,425	$6,319,364	$370,966	$399,120	211,293	$364,503
1983	4Q	$6,936,757	$6,396,154	$430,111	$385,417	215,455	$709,842
1984	1Q	$7,450,891	$6,619,225	$592,570	$564,265	231,377	$647,046
1984	2Q	$7,545,074	$6,471,295	$809,430	$767,455	235,017	$1,161,001
1984	3Q	$7,415,336	$6,351,473	$769,434	$730,603	233,685	$1,324,635
1984	4Q	$7,047,978	$6,362,869	$487,697	$481,685	221,671	$1,176,891
1985	1Q	$7,001,951	$6,380,907	$417,682	$390,307	220,655	$698,573
1985	2Q	$7,068,280	$6,153,453	$639,652	$646,301	222,844	$1,335,952
1985	3Q	$6,743,425	$5,914,490	$646,157	$573,439	216,223	$132,693
1985	4Q	$6,744,921	$6,736,414	$84,893	$158,804	216,304	$1,135,973
1986	1Q	$6,700,129	$6,039,660	$402,041	$410,132	218,600	$668,187
1986	2Q	$6,640,668	$6,116,913	$30,817	$704,965	215,716	$1,099,717
1986	3Q	$6,428,042	$5,986,052	$340,841	$333,979	218,238	$1,060,893
1986	4Q	$6,466,397	$6,778,534	($35,751)	($279,365)	221,688	$806,842
1987	1Q	$6,445,818	$5,751,819	$443,522	$403,288	226,393	$464,360
1987	2Q	$6,624,765	$5,733,320	$555,758	$572,154	p230531	
1987	3Q						
1987	4Q						

ANNUAL TRENDS

Year	OPERATING REVENUES	OPERATING EXPENSES	ORDINARY INCOME	NET RAILWAY OPERATING INCOME	REVENUE TON-MILES	CAPITAL EXPENDITURES
1982	$27,503,503	$26,490,278	$1,151,548	$742,231	797,759	$2,165,941
1983	$26,729,392	$24,106,254	$1,777,916	$1,837,854	828,275	$2,760,909
1984	$29,453,446	$25,800,454	$2,653,814	$2,536,673	921,542	$3,744,395
1985	$27,586,441	$25,225,295	$1,788,151	$1,746,386	876,984	$4,422,903
1986	$26,204,122	$24,896,015	$746,965	$506,990	867,722	$3,600,682

All amounts in THOUSANDS OF DOLLARS, except Revenue Ton-Miles which is in MILLIONS

p-preliminary
e-estimate
r-revised

ANNUAL FIGURES include all revisions to data and may VARY substantially from TOTAL OF QUARTERS which reflect no revisions and is considered PRELIMINARY.

NOTES:

1. Beginning with 1983 annual figures and 1984 quarterly figures, the Interstate Commerce Commission required a change in Class I railroad reporting from Retirement, Replacement, Betterment (RRB) accounting to Depreciation accounting for track structure. This required change distorts comparisons of above trends for Operating Expenses, Ordinary Income, Net Railway Operating Income, and Capital Expenditures.

2. There is a modest distortion created in above trends dues to changes in the Class I Railroad consist. Several railroads have been reclassified to none Class I since 1982; they include the Long Island (eff. 1Q 1983), the Bessemer & Lake Erie (eff. 1Q 1985), the Pittsburgh & Lake Erie (eff. 1Q 1985), the Duluth Missabe and Iron Range (eff. 1Q 1985), and the Elgin Joliet and Eastern (eff. 1Q 1986).

3. There were special charges, covering asset writedowns and employee buyouts recorded by the CSX in 4Q 1985, the UP in 2Q 1986, the BN in 2Q 1986, the ICG in 3Q 1986, the ATSF in 4Q 1986, the SP in 4Q 1986, the SSW in 4Q 1986, the KCS in 4Q 1986, and the SOO in 4Q 1986. These special charges distort trend comparisons for Operating Expenses, Ordinary Income, and Net Railway Operating Income. The UP special charge is included as an Operating Expense in the annual (1986) calculation of NROI, but as an Unusual&Infrequent Item for the quarterly (2Q 1986) calculation of NROI.

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